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FURTHER CORRESPONDENCE

RESPECTING

MOROCCO

PART 69

JULY TO DECEMBER 1931

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Further Correspondence respecting Morocco.

PART 69.

CHAPTER I.—SPANISH ZONE.

[W 7792/4220/28] No. 1.

Sir G. Grahame to Mr. A. Henderson.—(*Received July* 3.)

(No. 288.)

Sir, *Madrid, June* 30, 1931.

IT appears that comments have been occasioned in the London and Paris press respecting some observations about the future of the Spanish Zone in Morocco made by Señor Prieto, Minister of Finance, in a recent electoral speech at Bilbao.

2. Señor Prieto dealt in this very long speech not only with actual politics, but with the wider activities, present and future, of the Socialist party in Spain, of which he is a member. He said that the time would probably soon come when its representatives would be no longer in office, and in a later passage of the speech expressed the view that Spain should give an example to the world of real disarmament, and might ask to be relieved of the only militarist enterprise for which the country was responsible, namely, the Spanish Zone in Morocco. He indicated that at some undefined time in the future the League of Nations might possibly be asked to take it over.

3. Señor Prieto has since explained that, when alluding to this matter, he was not speaking as a member of the Provisional Government, but as a Spanish Socialist.

I have, &c.
GEORGE GRAHAME.

[W 8042/4220/28] No. 2.

M. Pérez de Ayala to Mr. A. Henderson.—(*Received July* 10.)

(Translation.)
(Confidential.)

Sir, *Spanish Embassy, London, July* 7, 1931.

IN connexion with certain sentences uttered by the Minister of Finance at an election meeting, which are reproduced in a certain English periodical, and according to which the personal opinion of that Minister was favourable to the abandonment of Morocco by Spain, I have the honour to inform your Excellency

confidentially that I am authorised to state that the Government of the Republic have decided to maintain the same policy in Morocco without change, in agreement with France and the treaties in force.

I have, &c.
AYALA.

[W 8151/4220/28] No. 3.

Sir G. Grahame to Mr. A. Henderson.—(*Received July* 14.)

(No. 303.)
Sir, *Madrid, July* 9, 1931

I HAVE the honour, with reference to my despatch No. 288 of the 30th ultimo, to inform you that the Spanish press publishes a semi-official note issued by the French Resident-General in Morocco on the subject of the remark made by Señor Prieto, Spanish Minister of Finance, that at some undefined time in the future the League of Nations might possibly be asked to take over the Spanish Zone. The French Resident-General, while noting that the sensational account first published had been rectified, pointed out that Spain did not possess a protectorate in Morocco, but simply occupied a zone of influence granted to her by the treaty of the 26th November, 1912, and that according to the Franco-Spanish Convention of that year Spain agreed not to alienate, even temporarily, her rights over the whole or part of the territory comprised in her zone. This being so, the League of Nations could not be asked to indicate a substitute for Spain in Morocco.

2. Señor Prieto has now issued a communiqué to the following effect :—

"The French Resident-General in Morocco notes that my declarations were inaccurately reported. With regard to his statement, I repeat that no change can be made by Spain in the régime concerning the portion of Morocco assigned to her without previous consultation with those responsible for that arrangement. I also repeat that, when I mentioned this problem, I did so without referring to the decisions, proposals or ideas of the present Government, whose international policy it is not for me to define. I was only contemplating the possibility, which is certainly not one which will arise in the immediate future, of a Socialist Government in Spain, which might have to give a practical example of disarmament."

I have, &c.
GEORGE GRAHAME.

[W 11690/4220/28] No. 4.

Sir G. Grahame to the Marquess of Reading.—(*Received October* 9.)

(No. 446.)
My Lord, *Madrid, October* 5, 1931.

I HAVE the honour to inform your Lordship that, according to the Spanish press, Señor Lerroux, in an interview granted to newspaper correspondents in Paris, declared that the co-operation of France and Spain in Morocco was essential and that this co-operation must in every way become closer and more efficacious.

2. In regard to the words used by Señor Prieto at an electoral meeting in the summer (please see my despatch No. 288 of the 30th June), Señor Lerroux said that these were an expression of Señor Prieto's own personal opinion, or at most of that of an important section of his party, but they did not reflect the views of the Government. He thought that, if there were in Spain an exclusively Socialist Government, it would have to proceed in exactly the same way as the one actually in power. The present Government was in perfect agreement on

Moroccan questions. Franco-Spanish collaboration would tend to become closer and more beneficial. As to economic matters, the development of the port of Melilla would open up a great future for the Fez area. The Minister stated that the reports which had appeared from time to time regarding illicit arms traffic were fantastic, as Spain was closely watching her zone and taking all necessary steps to prevent anything of the kind.

3. In conclusion, he declared that the reorganisation of the Spanish army in Morocco was proceeding, and that once this had been done, and as relations with the natives improved, the question of a reduction of effectives would be considered.

I have, &c.
GEORGE GRAHAME.

CHAPTER II.—TANGIER ZONE.

(a) Financial Position.

[W 7757/23/28] No. 5.

Mr. Gurney to Mr. A. Henderson.—(Received July 2.)

(No. 136.)

Sir, *Tangier, June* 23, 1931.

ON receipt of your telegram No. 5 of the 17th April I explained to my French colleague the views of His Majesty's Government as expressed therein in regard to the proposal put forward by the French Government in connexion with the payment by the Tangier Zone of the share of the service of the 1904 and 1910 loans imposed upon it by the statute.

2. As I had heard no more from him on the subject, I took advantage of a recent opportunity to call the attention of the Committee of Control to the fact that the so-called moratorium proposed by the French Government had never been accepted by the zone. I added that the Assembly had confined itself to asking for information in regard to the sum really due from the zone. The opportunity was presented by the examination of the proceedings of the last meeting of the Assembly, in the course of which allusion was made, in a statement in regard to the situation of the reserve fund, to a sum of 4 million francs stated to "enjoy the moratorium accorded by the Shereefian Government."

3. My observation elicited a statement from M. de Witasse to the effect that he understood that the question had been placed on the agenda of an inter-zonal meeting to be held at Tetuan during the first fortnight of June. As regards the moratorium, he said that, as he had already informed us, the conditions imposed by the Shereefian Government for the "mise en surséance" of the sums due to them—which was equivalent to a moratorium—concealed no *arrière-pensée*. That this was the case was shown by a letter which he had been authorised to address to the Administration and which he proceeded to read out to the committee. From the enclosed copy of this letter it will be seen that the formula now employed is to the effect that the payment of the sums carried to a suspense account will not be required "aussi longtemps que sera maintenu le statut," and that "en cas de prorogation du statut, ledit moratoire serait automatiquement prorogé." M. de Witasse added that this letter permitted the zone to dispose of the sums "mises en surséance."

4. I made no observation on this statement, which was also received in silence by my colleagues. M. de Witasse has not again alluded to the subject, and I am inclined for my part to let the matter rest here. As it stands at present, the zone has entered into no undertaking of any kind towards the Shereefian Government, whilst we have a statement from them that, so long as the statute continues, they will not ask for any payment on account of the service of these loans beyond a maximum sum of 500,000 fr. a year.

5. It is, of course, open to the zone to decline under a strict interpretation of article 21 of the statute to make any payment at all pending a settlement by mutual agreement of the sums actually due, but I am a little doubtful whether it would be good policy to take this line. No action on such a matter can be expected from the Administrator, who, besides being a Frenchman, and subject to instructions from his Government, is not a man of any force of character, and any initiative would have to come from myself. I am not sure whether, apart from other considerations, the result would justify the odium which I should thus incur with the French authorities.

6. The inter-zonal meeting alluded to by M. de Witasse did not take place at Tetuan, but I understand that there is a question of a meeting this month, and it is possible, though I consider it unlikely, that figures of the customs receipts of the two other zones may then be produced. It will, I think, be time enough to consider taking the matter up again, if nothing transpires meanwhile, when the budget comes up for discussion in the autumn. I am preparing a separate despatch on the general financial situation, from which it will, I think, be seen that, unless the Spanish Zone can be induced to shoulder the burdens which seem

to be incumbent upon it, some drastic action will be necessary to make the next year's budget balance. It is conceivable that one of the measures to be proposed will be a refusal to pay this 500,000 fr. pending a settlement of the sums actually due on this account.

I have, &c.
HUGH GURNEY.

Enclosure in No. 5.

M. de Witasse to the Administrator, Tangier Zone.

M. l'Administrateur, *Tanger, le* 15 *mai* 1931.

À LA demande du Commissaire Résident général de France au Maroc, Ministre des Affaires étrangères de Sa Majesté le Sultan, j'ai l'honneur de vous faire savoir qu'il y a lieu de modifier comme suit le deuxième paragraphe des propositions du Gouvernement chérifien concernant le nouvel emprunt du port, qui vous ont été communiquées par ma lettre du 15 janvier dernier :

Au lieu de : "aussi longtemps que seront maintenues les conditions actuelles du statut . . . .," lire : "aussi longtemps que sera maintenu le statut."

Au lieu de : "en cas de prorogation du statut, avec maintien des droits et prérogatives que le Gouvernement chérifien tient de la convention de 1923, ledit moratoire serait automatiquement prorogé," lire : "en cas de prorogation du statut, ledit moratoire serait automatiquement prorogé."

Veuillez agréer, &c.

[W 7890/23/28] No. 6.

Mr. Gurney to Mr. A. Henderson.—(Received July 7.)

(No. 141.)

Sir, *Tangier, June* 26, 1931.

IN my despatch No. 80 of the 5th ultimo, I had the honour to transmit copy of a memorandum by the Director of Finance in regard to the financial position of the zone. It was pointed out in that memorandum that unless receipts came in at a better rate than they had been doing hitherto there would be a deficit of some 3 million francs at the end of the year.

2. In order to cover this deficit a Bill was introduced in the Assembly at its meeting held on the 6th May authorising the zone to draw upon the reserves to meet the budgetary expenditure of the zone for the year 1931 up to a sum of 2 million francs. The Bill was passed by the Assembly and when it came before the Committee of Control for examination on the 29th May I called the attention of my colleagues to the critical nature of the financial position of the zone and asked that the Administrator and the Director of Finance should be summoned to attend our meeting in order that the situation might be fully examined. M. Le Fur and Mr. Dicken were accordingly present at our meeting, and the latter made a statement, of which I enclose a copy herein.(1)

3. It will be seen that in this statement Mr. Dicken informed us that whilst, on the basis of receipts for the first quarter of the year a deficit of 3 million francs had been expected, the receipts for April and May, particularly those for the latter month, were so much worse that he feared that, unless an improvement took place, the deficit might be as much as 4 million francs, or even more, that is to say, that it would swallow up the whole of the available reserve fund.

4. In considering the steps to be taken to meet this state of affairs, Mr. Dicken pointed out that the budgetary expenditure had always been kept within the lowest possible limits, and he did not see how any appreciable economies could be effected therein. He then proceeded to examine the individual items of expenditure imposed upon the zone by the statute. Taking first the port loan, he pointed out that the possibility of providing for the service of the new loan in

(1) Not printed.

addition to that of the old one had been contingent on the realisation of the budgetary provisions and that his calculations would be considerably upset by a deficit of some millions. He recalled in this connexion that he had always counted, for the service of the last "tranches," either on receipts from gambling or on assistance from the Powers.

5. As regards the service of the 1904 and 1910 loans, he recalled that the concession made by the Shereefian Government had enabled the zone to reduce the budgetary estimate to 500,000 fr. a year.

6. As regards payments on account of the Tangier–Fez Railway, he stated that the accounts had not yet been definitely made up and that the payments so far made had been in the nature of payments on account. It was possible that when these accounts were made up an even larger sum might be asked for than provided in the estimates, namely, 1,750,000 fr. In view, however, of the fact that there were only 14 kilom. of line in the Tangier Zone even the sum of 1,400,000 fr., at which the annual contribution of the zone had hitherto been estimated, seemed excessive, amounting, as it did, to 100,000 fr. a kilometre, even if it was justified by the terms of the agreements on the subject, and he begged the Committee of Control to take measures for its reduction.

7. As regards the contribution of the zone towards the cost of native administration provided for under chapter 7 of the budget, he recalled that this payment was limited to 125,000 fr. by the statute, and that it was only increased to 200,000 fr. with the consent of the Assembly. Whilst recognising that the cost of native administration exceeded this sum, he thought that some small economy might be effected by reducing the zone's contribution to the original figure.

8. As regards the gendarmerie he expressed the view that a considerable saving might be achieved if this force could be reduced and assimilated with the police. The cost need not then exceed some 500,000 fr. a year instead of 1,500,000 as at present provided by the statute.

9. Passing to the customs service, he pointed out that the cost of collection amounted to 24·7 per cent. of the revenue from customs proper for 1930. If the *taxe spéciale* and consumption duties were added the percentage would be reduced to 16·11 per cent. The percentage should, he thought, in no case be more than 12 per cent., which was that of the French Zone. He recalled that the Assembly had demanded that the other zones should contribute to the cost of the customs to such an extent as to reduce the percentage to a reasonable figure, which, as stated above, might be estimated at 12 per cent. of the customs receipts proper. The cost at present amounted to some 2,600,000 fr., and it ought not to be more than about 1 million francs. The French Zone had already undertaken to contribute 500,000 fr., but this sum ought to be increased and the Spanish Zone ought also to contribute so as to bring the total sum up to 1,500,000 fr. The Tangier Zone was powerless in the matter, and he hoped that the Committee of Control would take it up with the other zones together with the question of the 2½ per cent. *taxe spéciale*.

10. As regards other economies, he could not see any possibility of a reduction in the personnel of the zone which had already been reduced to a minimum and was, indeed, in some cases, insufficient. It was, at the same time, true that, if the expenditure on new public works were cut down, it would of course be possible to reduce the staff employed by the Department of Municipal Public Works. As regards expenditure on public works in general it already represented the minimum requirement for maintenance, and it would only be possible to effect economies in such items as the surface treatment of roads, which had largely been completed and on which an economy of some 150,000 to 200,000 fr. a year might perhaps be realised.

11. As regards receipts he pointed out that their falling off was due to world causes which were beyond the control of the Administration or the Assembly. It was proposed to institute a *patente* tax, although the moment did not seem a favourable one for it, but it was clear that this tax, as it would not produce more than 600,000 fr. a year less the cost of collection, would not make good the deficit if the commercial depression continued. The Powers alone could be looked to to supply a remedy which might be found in some measure in the institution of gambling.

12. In the course of the ensuing discussion the committee concurred in the views expressed by Mr. Dicken and by the State engineer, who was also present, in regard to the excessive nature of the charges imposed on the zone in connexion

with the Tangier–Fez Railway, and decided to draft letters to the Resident-General of the French Zone and the High Commissioner of the Spanish Zone asking for their intervention with a view to the reduction of these charges.

13. As regards Mr. Dicken's suggestion that an economy could be effected by a reduction in the gendarmerie, the Spanish representative opposed the suggestion on the ground that it would be prejudicial to the security of the zone and dangerous for the neighbouring zone. M. Le Fur, the Administrator, whose views were asked on the subject, stated that although some forty gendarmes under the command of a lieutenant might suffice for a European town of the size and population of Tangier, the gendarmerie would in such case be supported by the army. Personally he would not care to assume responsibility, at any rate, at the present time, for maintaining the security of the zone with a force less than that of the present gendarmerie. In view of this statement on the part of M. Le Fur, the Committee of Control did not further pursue the suggestion.

14. They decided, however, to address a communication to the other zones in regard to the customs on the lines suggested by Mr. Dicken, and also to approach the High Commissioner of the Spanish Zone with a view to the early settlement of the question of the allocation of the *taxe spéciale* levied on goods landed at Tangier and passing to the Spanish Zone. As regards the latter point, I represented that the time seemed to me to have come when, since all efforts have hitherto failed to arrive at a friendly understanding, a demand should be put forward for reference of the question to arbitration, as provided for under the arrangement concluded between the two zones in 1928. My proposal was supported by the Italian representative, but as my other colleagues showed some hesitation on the subject it was decided that the letter to be addressed to the High Commissioner should be couched in more general terms with a view to making a further attempt to settle the matter by agreement rather than by putting forward a definite demand for arbitration.

15. As regards the question of gambling raised by Mr. Dicken, I asked M. Le Fur what revenue he thought would be derived from it. He replied that if a monopoly were put up to adjudication, the Administration expected to receive a preliminary payment of some 4 or 5 million francs in addition to an annual revenue. The question of a lottery had also been examined, but they had come to the conclusion that it would require too large an organisation to make its realisation feasible. Mr. Dicken added that he understood that the Danzig lottery had not been a success owing perhaps to competition from that of Dublin.

16. In accordance with the decision of the Committee of Control, drafts of letters to be addressed to the Governments of the other two zones were in due course prepared by the Administration and submitted to the Committee of Control. They came up for discussion at our last meeting, but owing to a further development it was decided to postpone their despatch for the moment.

17. This development was the receipt from the French Protectorate authorities of an intimation to the effect that they would decline to guarantee the whole of the proposed port loan of 42 million francs unless the Tangier Zone agreed that the service of the whole amount should be a charge upon the customs and not only a portion of it, as previously stipulated by the Assembly and recalled in paragraph 6 of my despatch No. 114 of the 3rd June. This decision on the part of the Shereefian Government necessitated a reconsideration of the situation by the Assembly, and a special meeting was convened for the purpose yesterday.

18. In view of the imminence of this meeting, and as both my French colleague and I myself were aware that it was proposed to lay the whole financial situation before the Committee of Control for submission to the Powers, we decided that it would be preferable to await the result of the Assembly meeting before taking further action on the particular points in question, since it seemed probable that we should find it necessary to approach the Powers as a whole on the wider issues involved.

19. The position is well summed up in the enclosed statement which Mr. Dicken has just prepared for the Administrator, and parts of which he has communicated to the Finance Commission of the Assembly. To put it briefly, whilst receipts for this year were originally estimated at nearly 25 million francs, those for next year are not likely to exceed 20 million francs. On the other hand, whilst this year's expenditure will amount to a little over 24 millions, that for next year cannot be less than 25 millions, in view of the increase in the

provision to be made for the service of the port loans. The deficit for 1932, which as Mr. Dicken points out is due to world causes, is thus likely to amount to some 5 million francs.

20. To meet this deficit the expenditure on customs can be reduced by a million francs if the other two zones can be induced to assume what Mr. Dicken and the Committee of Control regard as a fair share of the cost. Another million francs could, Mr. Dicken says, be saved if justice is done to the zone in respect to its share of the charges on the Tangier–Fez Railway, whilst a further economy of nearly half a million could be effected in minor matters, making 2,500,000 fr. in all. On the other side, revenue would be increased by some million francs if the *patente* tax were instituted and the Spanish Zone surrendered all claim to the *taxe speciale*.

21. This leaves a deficit of 1,500,000 fr., which might, he suggests, be covered either by a direct contribution from the Powers or by a contribution in the form of the payment by each Power of the statutory officials of its nationality. By a curious coincidence the amount of the salaries of these officials comes to almost exactly the 1,500,000 fr. required.

22. After pointing out that it is without precedent that a coast town should be expected to defray the entire cost of the construction of its port, which is destined to serve the needs of the whole country, Mr. Dicken goes on to recall that even if the budget were balanced as above indicated, nothing at all would be left over to provide for public works in 1932, since the reserve fund will be completely exhausted to cover the deficit for 1931. The institution of gambling seems to him to afford the only means of supplying money for this purpose, although he also suggests that another half million might be saved if Tangier were not called upon to pay anything at all on account of the service of the 1904 and 1910 loans, and its share of the cost of the gendarmerie were reduced—two things which he thinks might very reasonably be asked for.

23. There is much force in the contentions of Mr. Dicken, but I propose to reserve my own comments, together with such recommendations as I can make, for the further despatch which I shall have to address to you after the decision taken by the Assembly has been submitted to the Committee of Control.

I have, &c.
HUGH GURNEY.

[W 7757/23/28] No. 7.

Foreign Office to Acting Consul-General Gardener (Tangier).

(No. 168.)

Sir, *Foreign Office, July 9, 1931.*

I AM directed by Mr. Secretary Henderson to inform you that he has received Mr. Gurney's despatch No. 136 of the 23rd June last regarding the share of the Tangier Zone in the service of the Moroccan loans of 1904 and 1910, and to state that, in view of the financial position of the zone, he concurs in the proposal which is made in the fourth paragraph of this despatch to let the matter rest as it is for the present.

I am, &c.
C. HOWARD SMITH.

[W 8064/23/28] No. 8.

Mr. Gurney to Mr. A. Henderson.—(*Received July 11.*)

(No. 150.)

Sir, *Tangier, July 4, 1931.*

WITH reference to my despatch No. 141 of the 26th June in regard to the financial position of the zone, matters have now been brought to a head by the decision which the Assembly have taken in connexion with the new port loan. I enclose herein copy of their resolution.(1)

(1) Not printed.

2. It will be seen that, whilst agreeing to the demand of the Shereefian Government that the *whole* of the service of the new port loan shall constitute a first charge on the customs, the Assembly decided to call the attention of the Powers to the fact that the revenues of the zone no longer cover its expenditure.

3. They point out that the zone has been saddled by the Powers with charges in connexion with the customs disproportionate to the size of the zone, the Tangier–Fez Railway, the gendarmerie and the port, as well as the personnel, administrative and judicial, and that it cannot further reduce expenditure on public works.

4. On the other hand, the Assembly see no prospect of increased receipts from taxation, pointing out that agriculture is unproductive, and that commerce and industry are strangled by protective measures which hinder trade with the other zones of Morocco, whilst they are themselves prevented from exploiting to the full the natural advantages of the zone owing to the prohibition of measures calculated to attract and retain tourists (*i.e.*, gambling).

5. This resolution was examined by the Committee of Control at its last meeting, when it was decided that each member should refer it to his Government for their consideration. In taking this decision, we adopted unanimously the motion of which I enclose a copy herein.

6. In submitting the resolution to His Majesty's Government, I desire to draw their attention to one or two points which seem to me to be essential in arriving at a decision as to the measures to be taken to deal with the situation. The Administration was the creation of the convention of 1923 and the protocol of 1928, which are referred to hereafter under the term "statute." The agreement to it by His Majesty's Government was based on the necessity of the establishment and maintenance at Tangier of an international régime. Certain compromises were made and anomalies accepted which would not have been justified if the needs of the city and the zone had been alone in question. These compromises and anomalies include a judicature of quite unnecessary size and complexity (there are no less than five judges and two procureurs to a European population of not more than 15,000 people); a gendarmerie quite unnecessarily expensive; a guarantee to the Tangier–Fez Railway, of whose 310 kilom. of line only 14 kilom. are within the limits of the zone; and the customs service, which is based not only on the requirements of the International Zone, but also of the Spanish Zone, which is contiguous, and of the French Zone, which covers the remainder of the Shereefian Empire.

7. When the statute was drawn up it was estimated that the sources of revenue placed at the disposal of the Tangier authorities would be sufficient to meet the charges involved for the adequate government of the town and zone. Up to last year this has been the case, and so carefully have the revenues of the zone been husbanded, that, notwithstanding their exiguous amount, a reserve fund has been built up which has enabled the Administration to meet the deficit upon the present budget. Owing to causes which are world-wide, and which apply with no less force to this zone than elsewhere, the financial position has been radically altered. There has been, *inter alia*, a serious decrease in customs and other receipts, and a consequent dislocation of the budget, which will result this year in a deficit of not less than 4½ million francs, and which, so far as it is possible to see, will next year occasion a deficit of 5 million francs on a total budget of 25 millions, the reserve fund no longer existing.

8. The Committee of Control, in conjunction with the Administrator and the Director of Finance, have carefully examined the financial situation, and they are unable to suggest any sources of revenue at their command which will enable the budget to be balanced. Certain minor economies can probably be made, but these are certainly insufficient to remedy the situation, and, in the circumstances, the committee cannot do otherwise than endorse the attitude adopted by the Assembly and submit the matter to their respective Governments.

9. The maintenance of the international régime has been declared by His Majesty's Government to be a matter of imperial concern, and as the maintenance of this régime depends upon the adequate financing of its modest requirements, it would appear to be necessary for His Majesty's Government to concert with the other Governments concerned in taking the measures requisite to provide for the expenditure which is uncovered.

10. The attention of His Majesty's Government was drawn last year to the financial difficulties of the zone, which were then already apparent, and

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representations were made by them to the French and Spanish Governments. These representations, however, met with no response, as have also the repeated representations which have been made by the Administration itself to the authorities of the other two zones in regard to the customs, Tangier–Fez Railway, &c.

11. In the circumstances, therefore, I do not think that any practical solution can be reached except by discussions between representatives of the Governments concerned. Such discussions, however, should no doubt be strictly limited to the financial requirements and resources of the Administration, and need not, I think, entail the opening of the other and larger questions connected with the International Administration, which will, nevertheless, one day have to be settled if a really satisfactory solution of the international position and government of Tangier is desired.

12. It is the more necessary to limit the scope of the proposed enquiry in view of the fact that the financial year expires on the 31st December, 1931, and that it is essential that a decision should be reached before that date.

I have, &c.

HUGH GURNEY.

Enclosure in No. 8.

Motion adopted by the Committee of Control, July 4, 1931.

LE Comité de Contrôle, saisi de la délibération prise par l'Assemblée législative à la date du 25 juin 1931, constate une fois de plus la situation inquiétante des finances de la Zone de Tanger.

Il ressort d'un examen attentif de cette question fait au cours d'une précédente séance avec MM. Le Fur et Dicken, que le budget de l'exercice en cours présentera un déficit d'environ 4 millions, qui épuisera la presque totalité du fonds de réserve, et qu'il y a lieu de prévoir dès à présent un déficit de 5 millions de francs sur le budget du prochain exercice.

Le comité, considérant qu'il n'est en mesure de recommander ni des compressions budgétaires appréciables, ni la création de recettes supplémentaires suffisantes, croit devoir se rallier aux conclusions générales de la délibération précitée.

Les membres du Comité de Contrôle ne peuvent qu'en référer à leurs Gouvernements, pour leur signaler un état de choses qui est de nature à mettre en péril l'existence même du statut, et leur demander d'envisager les mesures propres à y remédier.

[W 8064/23/28]

No. 9.

Foreign Office to Treasury.

Foreign Office, July 20, 1931.

Sir,

WITH reference to the letter of the 20th May last from this Department, I am directed by Mr. Secretary Henderson to transmit herewith, to be laid before the Lords Commissioners of His Majesty's Treasury, copies of two despatches from His Majesty's consul-general at Tangier,(1) with enclosures, regarding the financial position of the Administration of the Tangier Zone of Morocco.

2. From these despatches their Lordships will observe that, owing to the serious fall in the receipts usually derived by the Administration from the customs and other indirect sources of taxation, as a result of the world-trade crisis, the income of the zone during the current year is not expected to rise above 20 million francs, and therefore to fall short of the estimated expenditure by some 4 million francs. To meet this deficit the Administration will be able to call upon that proportion of their reserve fund which has not been devoted to expenditure on public works during the current year. The reserve fund will thereby be practically exhausted. For the year 1932 it is estimated that the

(1) Nos. 6 and 8.

revenue will again amount to not more than 20 million francs. Expenditure will, however, rise to some 25 million francs owing to the increase in the amount of the service of the Port Loan, which will result from the taking up of a further portion of the new loan during 1932. The deficit to be expected at the end of 1932 is therefore in the neighbourhood of 5 million francs, to meet which little or nothing will remain in the reserve fund.

3. To meet this deficit the Financial Administrator of the zone hopes to secure, (*a*) by contributions from the Administrations of the French and Spanish Zones, a reduction of 1,100,000 fr. in the expenses of the customs service; (*b*) by further contributions from these zones, a relief of 1 million francs in the payments made by the Administration in respect of the Tangier–Fez Railway; (*c*) by payments from the Administration of the Spanish Zone, an annual contribution of 400,000 fr. in respect of the *taxe spéciale;* and (*d*) by various small economies in the administration, a further sum of 400,000 fr., leaving a probable deficit of 2,100,000 fr. The present moment is admittedly a bad one for the introduction of fresh taxation, but Mr. Dicken feels justified in proposing the introduction of a new *patente* tax, from which he hopes to derive 600,000 fr. a year. Further economies might possibly be effected by a reduction in the numbers of the gendarmerie and of the judges of the Mixed Court, but, as regards the gendarmerie, the Administration feel that, as no other armed force exists in the Tangier Zone on which they could fall back in the event of disorder, it would be unwise greatly to reduce their numbers. Any slight reduction in the numbers, and consequently in the cost of maintaining the gendarmerie, would benefit, not the International Administration, but the Administrations of the French and Spanish Zones, which at present share in paying the difference between the sum of 1,500,000 fr., which the statute states that the zone must provide for the maintenance of the gendarmerie and the actual cost of the force. In any event no reduction could be effected in the numbers of the gendarmerie without an amendment of the Tangier Statute. This applies equally to any reduction in the number of the judges of the Mixed Court, and as Mr. Henderson is particularly anxious to avoid the complicated negotiations which would be necessitated by any attempt to amend the statute, he would deprecate any proposals directed towards a reduction in the numbers either of the gendarmerie or of the judges of the Mixed Court.

4. The deficit to be expected at the end of 1932 can therefore hardly be expected to be less than 1,500,000 fr. As, however, their Lordships will realise, it is impossible at this stage to foretell to what extent the financial position of the zone will improve or further deteriorate during the coming year. It may prove possible to achieve certain small economies in the Administration beyond those foreseen by Mr. Dicken, and to obtain concessions from the other zones which will result in an improvement in the receipts of the zone. It may, on the other hand, very well turn out that the French and Spanish Zones will be unwilling completely to fulfil the expectations of the Financial Administrator, and the deficit arising at the end of 1932, for which provision will have to be made in the budget to be prepared in October next, may, therefore, amount to as much as 2 or 2½ million francs. that is to say, approximately £20,000.

5. There appear to Mr. Henderson to be five possible ways of meeting this deficit :—

(1) By granting to a consortium a concession for the establishing of a casino in Tangier.

The Administration have stated that offers have been received from interested groups, who have expressed their willingness to pay as much as 4 or 5 million francs for such a concession. Mr. Henderson would, however, remind the Lords Commissioners that such a concession can only be granted when article 52 of the Tangier Convention of 1923, which forbids games of chance, has been repealed. This repeal can only be effected by the unanimous vote of the Committee of Control, and the Spanish Government have hitherto resolutely opposed it. It has been suggested that the Republican Government in Spain may be willing to adopt a more helpful attitude in this matter, but Mr. Henderson feels that it would be unwise to count upon obtaining their concurrence. He has, moreover, reason to believe that the grant of a concession to an international consortium of the sort from which applications have been received, might be opposed by the

Italian Government for political reasons, and he is doubtful whether, at the present time, any international group would be prepared actually to pay so large a sum as 4 million francs for a gambling concession in Tangier. Up to the present the policy of His Majesty's Government has been to take a detached attitude on the question of gambling, and Mr. Gurney has in the past been instructed that, if the question of permitting gambling should be discussed in the Committee of Control, he should abstain from voting. It is likely that some adverse criticism might be aroused in this country if His Majesty's consul-general should actually vote in favour of the authorisation of gambling, but Mr. Henderson is prepared in the last resort, if this should prove to be the only means of securing the financial solvency of the Tangier Zone and to be the clear desire of the inhabitants, to authorise Mr. Gurney to record his vote in its favour. In any event it may be found necessary to agree to the authorisation of gambling in order to secure for the future an extended revenue for the zone.

(2) By a subsidy from the Powers.

In the past when His Majesty's Government have pressed the Spanish Government to meet the requests of the Administration in the matter of the *taxe spéciale*, that Government have suggested instead that an annual subsidy of £5,000 should be paid to the Administration by each of the four Powers signatory of the Tangier Protocol of 1928. The suggestion has hitherto proved unacceptable to His Majesty's Government.

(3) By an undertaking on the part of the Powers to pay the salaries of a sufficient number of the officials and judges employed in the zone, to enable the budget to be balanced.

Such an undertaking would undoubtedly be very welcome to the inhabitants of the zone, who feel that, for political reasons, they have been obliged to pay the salaries of a larger number of officials than is really necessary for the good administration of the zone. The objections to this proposal are that to accord such an undertaking would be tantamount to an admission on the part of the Powers that the Administration cannot be made self-supporting, and would tend to lead the Administration to think that they could always depend upon the Powers for financial support in the future.

(4) By inducing the Shereefian Government to exercise the right which they possess by virtue of article 40 of the convention, under article 6 of the Port Concession, to increase the new Port Loan by an amount sufficient to cover the deficit.

The relevant provision of the port concession runs as follows :—

"Le Gouvernement chérifien se réserve constamment la faculté d'augmenter le montant de l'emprunt en obligations garanties dans la mesure nécessaire pour faire face, jusqu'à l'ouverture du compte d'Exploitation définitive, au montant des charges, impôts et intérêts dudit emprunt."

Mr. Henderson feels bound to point out that in addition to the obvious financial objections which can be raised to this proposal, difficulty might be experienced in inducing the Tangier Assembly to instruct the Administrator of the Zone to make the necessary request of the Shereefian Government.

(5) By an annual advance from the Powers of the sum necessary to balance the budget.

This advance might possibly take the form of a guarantee by the Powers of the necessary overdraft in the banking account of the Administration. This method appears, from the correspondence which has passed between the Lords Commissioners and the Colonial Office, to have been the method favoured in the case of the New Hebrides, and their Lordships may share Mr. Henderson's view that it appears to be the method which offers least objections in the case of Tangier.

6. Their Lordships will observe that the Committee of Control of Tangier have called upon their Governments to take whatever steps may be necessary to remedy the financial situation of the Administration, which is such as to imperil the existence of the Tangier Statute. They will be aware that His Majesty's Government in the United Kingdom share in the responsibility incurred by the Powers signatory of the Convention of 1923 and the Protocol of 1928 for safeguarding the existence of the Tangier Statute, and that it is thereby incumbent upon them, unless they are prepared to reconsider the decisions previously reached regarding the importance of preserving the international régime at Tangier, to collaborate with the other Powers in finding means for remedying the present situation. The Lords Commissioners will realise that, as the budget has to be framed in the autumn and presented to the Assembly before the end of the current year, it will be necessary to find a solution for the financial problem at an early date. Mr. Henderson is disposed, in the first instance, to call the attention of the French and Spanish Governments to the serious situation which has arisen, and to the resolution adopted by the Committee of Control, and to urge them to do what they can to reduce the deficit by making concessions to the Administration in the question of the shares borne by the Tangier Zone in the expenses of the Tangier–Fez Railway and of the Customs Administration, and in the matter of the *taxe spéciale*. He would suggest to the French and Spanish Governments that such further economies as may be possible should be effected in the expenses of administration, and he would urge them to give favourable consideration to all proposals likely to increase the present or future prosperity of the zone such as those which have been put forward for the creation of a free zone in the port, for the equalisation of freight rates in the different zones on the Tangier–Fez Railway, for according the same privileges to goods from the French Zone exported to France through Tangier as are enjoyed by such goods exported through ports of the French Zone, and for the retention of the tobacco factory in the Tangier Zone.

7. But even if the French and Spanish Governments give satisfaction on all these points, it will, as is pointed out above, remain necessary for His Majesty's Government to assist in finding fresh sources of revenue for the zone, and before approaching these Governments Mr. Henderson will therefore be glad to learn, at as early a date as may be convenient, the views of the Lords Commissioners on the five methods suggested above or on any alternative methods for meeting the deficit in the budget which may recommend themselves to their Lordships.

I am, &c.
C. HOWARD SMITH.

[W 9541/23/28] No. 10.

Treasury to Foreign Office.—(*Received August* 21.)

Sir, *Treasury Chambers, August* 20, 1931.

THE Lords Commissioners of His Majesty's Treasury have had before them Mr. Howard Smith's letter of the 20th July and Mr. Leeper's letter of the 5th August, 1931, regarding the financial position of the Administration of the Tangier Zone of Morocco; and their Lordships direct me to request you to convey to the Secretary of State the following reply :—

2. My Lords consider any grant or guarantee by His Majesty's Government in aid of the finances of the Administration to be definitely out of the question. Any solution of the difficulty, therefore, on the lines suggested in (2), (3) or (5) of paragraph 5 of Mr. Howard Smith's letter should, in their Lordships' opinion, be negatived.

3. With regard to the proposal for the establishment of a casino, referred to in paragraph 5 (1) of Mr. Howard Smith's letter and in Mr. Leeper's letter, my Lords, for their part, do not consider that in the circumstances obtaining His Majesty's Government should raise any objection to that course, or, indeed, should abstain from supporting it in concert with the other Powers.

4. The proper course for any administrative body, faced with such a situation as the present, is clearly to make a determined effort, by reducing expenses and increasing its revenues where possible, to balance its budget without

recourse to borrowing or to other forms of external assistance. If, however, in spite of every effort the budget cannot be balanced immediately, and a temporary deficit should appear inevitable, it may be that the Administration will have no alternative but to borrow, either from its bankers or by means of a loan (in so far as it may legitimately be applied to cover the deficit) to be raised from the Shereefian Government under the convention, as contemplated in paragraph 5 (4) of Mr. Howard Smith's letter. It appears to their Lordships, however, to be most undesirable that His Majesty's representative should take the initiative in suggesting such a measure. His attitude should be to press for the balancing of the budget by orthodox means, so far as the statute permits, however unpleasant to the interests concerned; and it should be left to the French or Spanish representatives to propose other and more objectionable measures for dealing with the situation. If, however, Mr. Gurney is finally satisfied that borrowing in 1932 is inevitable, he may give his assent thereto, but only as a provisional arrangement, and subject to the condition that a programme of reform (including a revision of the statutory arrangements) will immediately be initiated, which will aim at achieving a balanced budget at all costs by the following year. Failing agreement on such a programme, my Lords consider that it will be necessary for His Majesty's Government to review the whole situation independently, including a re-examination of the extent to which His Majesty's Government may be committed in maintaining the international régime at Tangier. My Lords feel bound to point out that the statute itself places on the Zone Administration obligations which under present conditions and the conditions in prospect it will be incapable of bearing, and that on a revision of the situation, therefore, with a view to putting the finances of the Administration on a sound basis, a reconsideration of the statutory arrangements cannot be avoided.

I am, &c.
R. V. NIND HOPKINS.

[W 9541/23/28] No. 11.

The Marquess of Reading to Mr. R. H. Campbell (Paris).(1)

(No. 2195.)

Foreign Office, September 3, 1931.

Sir,

WITH reference to my predecessor's despatch No. 1965 of the 6th August last, I transmit herewith a copy of a letter from the Treasury on the subject of the financial position of the Tangier Zone of Morocco.(2)

2. You will observe that, in the view of the Lords Commissioners, it is definitely out of the question that His Majesty's Government in the United Kingdom should make any grant in aid of the finances of the International Administration, or take part in guaranteeing any further debts which that Administration may incur. In this view I concur, both for reasons of economy and because I feel that it is really only in a negative and strategic sense that Tangier can be considered to be a British interest.

3. It is clearly difficult for His Majesty's Government to take the initiative of calling upon other Governments to make sacrifices in the interests of the zone in which they are not themselves prepared to share, and I feel that to do so would be likely to involve His Majesty's Government in a responsibility for restoring the finances of the Administration which will make it very difficult, and, indeed, dishonourable, for them to refuse, in the last resort, to join the other Governments in giving financial assistance.

4. In these circumstances, I request that you will enquire of the French Government whether they have yet considered the report on the financial situation of the zone by the Assistant Administrator for Finance, the contents of which were summarised in despatch No. 141 from His Majesty's consul-general in Tangier, the resolution passed by the Legislative Assembly on the 25th June, and the motion adopted by the Committee of Control on the 4th July, both of which

(1) Also to His Majesty's Representatives at Madrid (No. 405) and Rome (No. 1069), *mutatis mutandis*.
(2) No. 10.

were referred to in Mr. Gurney's despatch No. 150. You should ascertain the views of the French Government on the recommendations made by Mr. Dicken for balancing the budget of the Administration, and enquire whether they are prepared to accept these recommendations, and, if not, whether they are in a position to put forward any alternative suggestions for meeting the request made of the Governments by the Committee of Control on the 4th July last.

5. Should the French Government make enquiries regarding the views of His Majesty's Government on Mr. Dicken's report and on the two resolutions referred to above, you should inform them that His Majesty's Government feel that the proper course for any administrative body, faced with a situation such as that in Tangier to-day, is, first of all, to make a determined effort by reducing its expenses and increasing its revenues wherever possible, to balance its budget without having recourse either to borrowing or to other forms of external assistance, and that they cannot see their way to granting any direct financial assistance to the Administration. I feel, however, that it is unnecessary that you should inform the French Government of the views of His Majesty's Government at this stage, unless expressly asked to do so, since the final decision which they will take must depend to a large degree upon the attitude adopted by the French and Spanish Governments towards the proposals made by Mr. Dicken.

6. Similar despatches have been addressed to His Majesty's representatives in Madrid and Rome.

I am, &c.
READING.

[W 9541/23/28] No. 12.

Foreign Office to the Committee of Imperial Defence.

Foreign Office, September 15, 1931.

Sir,

WITH reference to the Foreign Office letter of the 10th August last, I am directed by the Marquess of Reading to transmit herewith, to be laid before the Committee of Imperial Defence, copies of correspondence with the Treasury on the subject of the financial situation of the Tangier Zone of Morocco.

2. The committee will observe that during the current year the deficit in the revenues of the International Administration is expected to amount to the sum of 4 million francs, which can be met from the reserve fund, and during the coming year to a further 5 million francs, to meet which no reserves will remain. The Administration can therefore only meet the deficit in 1932 by (1) effecting a considerable reduction in their expenditure, or (2) increasing their revenues by means of fresh taxation, or (3) obtaining assistance from outside. As regards (1), it is hoped to effect certain economies in the Administration amounting to 500,000 francs a year; but as expenditure in respect of the Customs Administration, gendarmerie and public debt, now amounting to some 10 million francs a year, constitutes a first charge on the revenues of the zone under the terms of the Tangier Statute, reductions in expenditure equivalent to the amount of the deficit could only be effected by the wholesale dismissal of the employees of the Administration or by the cessation of municipal services and public works. As regards (2), it is hoped to meet another 500,000 francs of the deficit by imposing a new *patente* tax, but the present time is so manifestly unsuitable for the imposition of fresh taxation that the Administration are not sanguine of being able to increase their revenues by more than this amount by means of fresh taxation. As regards (3), it is hoped to receive from the neighbouring French and Spanish zones contributions towards the expenses falling on the Tangier Zone in respect of certain items which may amount to as much as 2,500,000 fr. It is, however, by no means certain that the Administrations of the other zones will not disappoint this hope, and at the best a deficit of some 1,500,000 fr. or 2 million francs in the next budget must be expected.

3. As the committee will realise, the present financial crisis in Tangier is, in large measure, a result of the terms of the Tangier Statute, which so defined the geographical boundaries of the zone as to make it difficult for Tangier to be

economically self-supporting, and which placed upon the zone certain charges which have proved to be beyond its power to bear in a time of trade depression. It is therefore upon the four Powers—Great Britain, France, Spain and Italy—which drew up the statute of 1923 and protocol of 1928, that the ultimate responsibility lies for finding the money necessary to enable the revenues of the Administration to meet the expenditure. It is possible that the Spanish and Italian Governments may be willing to share with the French Government in furnishing the Administration with the sums necessary to enable the deficit to be met. It is possible, even, that the French Government, in their desire to maintain the international régime, may be ready to furnish the full amount themselves, but the Secretary of State is strongly of the opinion that it is necessary to consider the situation which will arise if they are not.

4. In that event there would appear to be three methods in which the budget might be balanced. These are: (1) For all four Tangier Powers to share in making some sort of subvention to the Administration; (2) for a concession for gaming in Tangier to be granted to a powerful international consortium; and (3) for the Administration to borrow sufficient money to cover the deficit. The committee will observe, as regards (1), that the Lords Commissioners of His Majesty's Treasury have ruled that it is out of the question that His Majesty's Government should make any grant or give any guarantee in aid of the finances of the Administration; as regards (2), that at the present time it is most unlikely that any group would be prepared either to take up a concession for the establishment of a casino in Tangier or be able, if they were to take it up, to pay either a lump sum or an annual contribution to the Administration; and as regards (3), that the Lords Commissioners feel that His Majesty's Government should not agree to the Administration incurring further indebtedness without insisting on the immediate initiation of a programme of reforms such as would place the zone on a sound economic footing. Such reforms would involve a revision of the Tangier Statute to which the three other Powers might well be unwilling to agree and, in that event, His Majesty's Government would be left with no alternative to disclaiming all responsibility for the maintenance of the present international régime.

5. Now, as the committee will be aware, His Majesty's Government are in part responsible for the provisions of the Tangier Statute and they are therefore, in part, responsible for making that statute workable. If, therefore, His Majesty's Government disclaim their responsibility for providing the funds necessary to enable the statute to be worked they would, Lord Reading feels, lose their right to insist on the maintenance of the international régime embodied therein.

6. In these circumstances it appears to Lord Reading to be necessary to consider to what extent the maintenance of the present régime in Tangier still constitutes an imperial interest and whether the strategic interests of the Empire would not be sufficiently safeguarded by a reaffirmation, as regards Tangier, of the provisions of article 7 of the Anglo-French Declaration of the 8th April, 1904, respecting the non-fortification of the North Moroccan coast, reinforced, if possible, by provisions for the complete neutralisation and demilitarisation of the Tangier Zone.

7. I am to state that the discussion of this question is not a matter of immediate urgency inasmuch as the French, Spanish and Italian Governments have as yet given no indication of their views as to the best method of solving the financial problems of the Tangier Administration, but, for the reasons which are set out above, I am to suggest that the matter should be brought before the Committee of Imperial Defence for their consideration when a convenient opportunity occurs.

8. Copies of this letter have been sent to the Treasury, the Admiralty, the War Office and the Air Ministry.

I am, &c.
C. HOWARD SMITH.

[W 12017/23/28] No. 13.

Mr. Gurney to the Marquess of Reading.—(*Received October* 19.)

(No. 209.)
Sir, *Tangier, October* 10, 1931.

AT my request the question of the financial situation was placed on the agenda of a meeting of the Committee of Control which took place on the 8th instant.

2. At this meeting, which was attended by the Administrator and the Director of Finance, I pointed out that in July last the Committee of Control had undertaken to lay the financial position of Tangier before the Powers which they represented, with a view to the consideration of the measures to be taken to remedy it, and it seemed to me very desirable that we should now make known to the Administrator the nature of the reception which had been accorded to our representations in order to facilitate the prepartion of the budget, which must be submitted to the Assembly at the end of this month.

3. After my Dutch colleague, who is the senior member, had stated that he had received no intimation of the views of his Government, I informed my colleagues that so far as His Majesty's Government were concerned, it had been felt that before they could take any decision as to their attitude, it was necessary to ascertain whether and to what extent the French and Spanish Governments were prepared to accept the recommendations put forward for balancing the budget, which particularly concerned those Governments. Enquiries had been addressed to them on the subject, but so far as I was aware no reply had yet been received.

4. My French colleague stated that he had no definite information as to the attitude of his Government. He had, however, discussed the matter with M. Branly, the Financial Director of the French Protectorate, who visited Tangier on the 3rd instant, and had ascertained that he was prepared to recommend substantial concessions to Tangier in connexion with the Tangier–Fez Railway and some other questions. M. Le Fur and Mr. Dicken had, he said, taken part in the discussion and were fully aware of the nature of the assistance which M. Branly hoped to obtain.

5. M. Barjona, the Portuguese representative, then stated that he had visited Tetuan on the previous day with the Spanish representative, and had had an interview with the new High Commissioner when the latter had expressed his readiness to consider favourably the requests put forward by the Tangier Administration. Señor Buylla, the Spanish representative, confirmed this statement, but he was not able to do more than assert his own good intentions and those of the High Commissioner.

6. Neither the Italian nor the Belgian Chargé d'Affaires had any statement to make, and at the request of M. Le Fur, Mr. Dicken proceeded to explain the manner in which he hoped to balance the budget for next year, provided that he were authorised to include in it provisions for certain reductions in expenditure based upon the views expressed by M. Branly. On the basis of the receipts for the first eight months of this year, he estimated that the receipts for 1932 would amount to 20,586,000 fr., whilst expenditure on the existing basis would amount to 24.715,000 fr., leaving a deficit of some 4,130,000 fr. Towards covering this deficit he counted on the following additional receipts and economies:—

(1) A share in the profits of the water company amounting to 320,000 fr.
(2) Additional receipts from stamp duties which he proposed to recast in the form of new regulations providing *inter alia* for the imposition of a small death duty—amounting in all to 400,000 fr.
(3) A reduction in the grant for native administration to the statutory figure of 125,000 fr., representing a saving of 75,000 fr.
(4) A saving under the terms of the new concession in the cost of electric light amounting to 135,000 fr.
(5) Possible economies in his own and other departments by a reduction of staff, &c., amounting to about 400,000 fr.
(6) An increase in receipts from investments representing interest on the portion of the Port Loan issued, but not expended during the year, amounting to 100,000 fr. With some other small economies, these sums amounted to some 1,600,000 fr.

7. As regards the concessions foreshadowed by M. Branly, he was happy to state that the latter hoped to obtain authorisation to reduce the contribution payable by the zone in connexion with the Tangier–Fez Railway from 1,750,000 fr. a year to 750,000 fr., representing a saving of 1 million francs. M. Branly also hoped that a saving of 1 million francs might be effected by a reduction in the gendarmerie, a matter which will be discussed later on in this despatch. This brought the total up to some 3,600,000 fr. and some 500,000 fr. remained to be found. He hoped that something might be forthcoming from the Spanish Zone in respect to the *taxe spéciale* and/or the customs, whilst a saving might be effected in the cost of the Customs Service itself, and some additional receipts might be obtained from increased stamp taxes and such like.

8. In the course of the discussion which followed M. de Witasse stated that he knew that M. Branly was trying to arrange for an early meeting between the representatives of the three zones, when the question of the Tangier–Fez Railway could be studied. He hoped that this meeting would take place shortly and that a satisfactory arrangement might be reached on the subject. He begged our Spanish colleague to do what he could to hasten such a solution.

9. As regards the question of the gendarmerie, he pointed out that the force could not be reduced without the unanimous consent of the Committee of Control, and that the proposed reduction ought first to be examined by the French and Spanish Governments who were chiefly interested in the matter. He himself was quite in favour of such reduction, provided that the Administrator considered it justifiable.

10. I pointed out in this connexion that when the matter was examined earlier this year M. Le Fur had expressed the view that he could not assume responsibility for any reduction of the force in present circumstances, and I asked him if he now saw reason to modify that view. M. Le Fur stated that this was the case, and that on reflection he had come to the conclusion that by an alteration in the constitution of the force it could safely be reduced to something like one hundred men. Such a reorganisation might include, perhaps, the acquisition of some machine guns either by purchase or on loan from one of the other zones, the mounting of the whole force and the appointment of men of a superior type. I said that if a proposal was made in this sense it would have to be very carefully considered, particularly as regards the question of machine guns. It was agreed that in the circumstances no definite authority could be given to the Administrator to reduce the statutory provision for the gendarmerie as laid down in the protocol, but that the French and Spanish representatives should immediately request their Governments to consider the matter, and that the rest of us should ask our Governments for authority to agree to the proposed reduction in the event of its being approved by the French and Spanish Governments.

11. I should accordingly feel grateful if I might receive your instructions on the subject, if possible before the end of this month. I should point out that the idea, as expressed to me by my French colleague, is that although the force should be reduced to some one hundred men, the French and Spanish Governments should continue to contribute the sum of 500,000 fr. a year apiece towards its cost as they undertook to do in June last. It is estimated that the saving to the zone consequent on such a reduction would amount to a million francs. Personally I see no objection to the proposal in principle provided that satisfactory arrangements can be made for the organisation of the reduced force, so as to ensure that it is really efficient and adequate for the duties which it is required to perform.

12. I should be glad if at the same time I might receive an indication as to whether there would *primâ facie* seem to be any objection to the proposal for arming the force with a limited number of machine guns. It would not appear to be contrary to article 3 of the Statute, and it would no doubt facilitate the reduction in numbers of the force which might, also be accompanied by some increase in the numbers of the town police.

13. To return to Mr. Dicken's statement, he went on to say that if he could depend on the concessions foreshadowed by M. Branly in regard to the Tangier–Fez Railway, he hoped that it would imply the release of the sums which had been set aside during the last few years to satisfy the unsettled claims put forward in connexion with the railway. These sums would at the end of the year amount to some 2,800,000 fr. and with the sums which were likely still to remain in the

reserve fund, they would suffice to provide for a programme of public works during the next year or even longer on a similar scale to that carried out this year. There would thus be no necessity to have recourse to a loan such as had been suggested in the press.

14. Mr. Dicken's statement is satisfactory so far as it goes. It is hopeful to observe that M. Branly, at any rate, thinks that his Government may agree to concessions which would result in a saving to the zone of 2 million francs a year. I am also glad to note that M. Le Fur and Mr. Dicken now think that greater economies can be effected than they had previously regarded as possible.

15. We have, however, so far no assurance that the French Government will agree to M. Branly's proposals, or that, even if they are prepared to do so, the concurrence of the Spanish Government will be forthcoming, and it would seem that such concurrence will be essential to the realisation of both the proposals.

16. M. Branly was quite firm that he could not recommend any other concessions particularly as regards the Customs Service, although he undertook to endeavour to see that the customs budget was reduced in some measure. We are also as far as ever from obtaining even a reply from the Spanish Government to the representations made to them, both in regard to the *taxe spéciale* and the customs, and although both the High Commissioner and the Spanish representative here have expressed their goodwill towards the zone, I have little confidence that they will translate their good intentions into acts.

17. I also foresee that the proposals of the Administration will meet with opposition in the Assembly. There is a movement on foot for a reduction in the salaries of officials, and there is a body of feeling which will not be satisfied with a mere reduction in numbers as proposed by Mr. Dicken, whilst any such reduction is likely to meet with opposition in the Assembly from the friends and relatives of all those holding the positions which it is proposed to suppress. A strong objection has also been raised to the imposition of succession duties, at any rate without the most careful consideration. There are, however, signs that members of the Assembly might now be prepared to accept a *patente* or some other tax as the lesser of two evils.

18. The position is, therefore, full of difficulty, but I hope that it may clarify somewhat before the budget is presented. I have already discussed the position with the British delegates, and I have arranged for a further discussion between them and Mr. Dicken with a view if possible to ensuring that his budget proposals will meet with their support at any rate. I will also endeavour to see that the budget as presented does really contain provision for all such economies as may in any way be found to be possible.

I have, &c.
HUGH GURNEY.

[W 12017/23/28] No. 14.

Foreign Office to Mr. Gurney (Tangier).

(No. 266.)

Foreign Office, October 26, 1931.

Sir,

I AM directed by the Marquess of Reading to acknowledge the receipt of your despatch No. 209, from which he is pleased to learn that the Financial Administrator of the Zone now hopes to be able to balance the budget of the Administration for the coming year.

2. The Secretary of State observes that Mr. Dicken's hope is based on the expectation that he will receive the sum of 1,600,000 fr. from various additional receipts and economies, the sum of 1 million francs from a reduction of the contribution payable by the zone in connexion with the Tangier–Fez Railway, and a further sum of 1 million francs from a reduction in the numbers of the gendarmerie, leaving a balance of only 500,000 fr. to be found from other sources. Lord Reading trusts that Mr. Dicken's hopes of a concession in respect of the payments due in connexion with the railway will not be disappointed, and that the Spanish Government will agree not only to make no objection to this concession and to the reduction in the numbers of the gendarmerie, but also to make

up the outstanding 500,000 fr. by meeting the claims of the Administration as regards the *taxe spéciale* and by making a contribution to the cost of the customs.

3. As regards the gendarmerie, Lord Reading observes that article 47 of the protocol of 1928 makes provision for the reduction of the numbers below 250 by unanimous vote of the Committee of Control, and I am to state that you are authorised to agree to this proposal in so far as His Majesty's Government in the United Kingdom are concerned. It seems unlikely that the French and Spanish Governments will agree to this reduction unless some guarantee is given that the safety of the three zones will not thereby be impaired, and if these Governments, or the Administration, feel it desirable that the remaining gendarmes should be equipped with machine guns, and are prepared to bear a large proportion of the cost of the reduced force, it will be difficult for His Majesty's Government to raise any objection. Lord Reading shares your view that such a proposal is not contrary to article 3 of the statute, for, although the third paragraph of this article prohibits stocks of war material in the zone for warlike purposes, the following paragraph expressly provides for the constitution by the Administration of such stocks of munitions and war material as may be necessary to meet the requirements of local defence against the incursions of hostile tribes. You are therefore authorised to agree on behalf of His Majesty's Government in the United Kingdom to the proposal to supply the gendarmerie with a limited number of machine guns. It would, of course, be advisable, in the interests of economy, if the neighbouring zones could be induced to lend the guns.

4. It must be remembered that the object of the suggestion that the gendarmerie be reduced is that economies shall be effected, and Lord Reading would therefore deprecate any proposals for increasing the expenditure on the equipment of the remaining gendarmes which may not be absolutely necessary for the efficiency of the force. For the same reason Lord Reading would strongly deprecate any proposal to increase the numbers of the police. He feels, rather, that if 100 gendarmes and 120 police are felt to be inadequate for the maintenance of order in the zone, the two forces should in some way be amalgamated, as has been suggested by Mr. Dicken in the past, so that one force might be able to draw on the other for reserves.

5. Lord Reading notes that Mr. Dicken hopes that if the zone obtains the expected relief in respect of payments to the Tangier–Fez Railway, it will secure the release of the sums set aside in the past for meeting eventual claims under this head. These sums, which would amount to about 2,800,000 fr., Mr. Dicken has proposed to devote to a programme of public works, thereby avoiding the necessity of having recourse to a new loan to raise money for such a programme. In the opinion of Lord Reading, any proposal to float a new loan should be definitely ruled out at the present time. The Administration cannot pay their way as it is, and to contract a new loan for public works would be inexcusable. It is, moreover, in his opinion, extremely short-sighted to expect that the present economic crisis, which has reduced the receipts of the zone, will come to an end in the near future. The Administration must take into account the possibility of further deficits in coming years. Lord Reading feels that it would be an act of folly on the part of the Administration to spend any money which may come to them from the relief in the payments to the railway on a programme of public works, and I am to request that you will do your utmost to secure that, if it is released, this sum shall be constituted into a reserve fund to meet future deficits. Moreover, it must be remembered that the concessions regarding the railway and the gendarmerie have not yet been agreed upon, and that, even if they are granted to the Administration, the outstanding deficit of 500,000 fr. will still have to be met. Lord Reading feels that it is unlikely that the Spanish Government can be counted upon at the present time to provide this sum, and for these reasons he is strongly of the opinion that the *patente taxe*, by which Mr. Dicken hoped to raise 500,000 fr., but which it appears from your despatch that he has now abandoned, should still be imposed. Admittedly this is a bad time for the imposition of fresh taxation, but you will realise that both the officials and the inhabitants of the zone must be prepared to make sacrifices, and Lord Reading therefore trusts that you will be able to urge on your colleagues and on the Administration, and to induce the British members of the Assembly to urge on that body, the importance of safeguarding the financial position of the zone by agreeing both to a reduction in the salaries of the officials and to the

imposition of the *patente taxe*. Any surplus accruing to the Administration from these sources might possibly at a later date be made available for expenditure on public works.

I am, &c.
C. HOWARD SMITH.

[W 12927/23/28] No. 15.

Mr. Gurney to the Marquess of Reading.—(*Received November* 13.)

(No. 223.)
My Lord, *Tangier, October* 31, 1931.

WITH reference to my despatch No. 209 of the 10th instant, I have the honour to report that the budget for 1932 was duly presented to the International Legislative Assembly on the 29th instant. I transmit herewith a summary of its provisions compared with those of the budget for 1931 as finally adopted,(1) together with copies of the speeches made by the Administrator and the Director of Finance on its introduction.(1)

2. It will be seen that it provides for a total expenditure of 22,485,012 fr. compared with 24,215,252 fr. provided for in the budget for 1931, and a revenue of 21,495,000 fr. as compared with 24,661,000 fr. for 1931, leaving an apparent deficit of 990,012 fr. as compared with an anticipated surplus of 445,748 fr. for 1931.

3. As reported in my despatch under reference, Mr. Dicken had, in framing his budget, to take into consideration that on the basis of the current year's receipts he could only count on a revenue of some 20,586,000 fr., whilst the expenditure on the existing basis would amount to 24,715,000 fr. He had therefore to bridge in some way a gulf of rather more than 4 million francs.

4. The first of these four millions he hoped to find by a reduction in the sums set aside for the payment due from the zone, in connexion with the Tangier–Fez Railway. As stated in my despatch above mentioned, the Director of Finance of the French Protectorate has held out strong hopes that the French and Spanish Governments will agree to such a reduction in response to the appeals put forward on behalf of the zone, and after laying the matter before the Committee of Control the Administration have felt justified in reducing the budgetary provision in this connexion from 1,750,000 fr. to 750,000 fr. only.

5. It had been hoped that authority would also have been obtained from the Committee of Control to reduce the sum allocated to the gendarmerie by a similar figure of a million, but in the absence of a reply to the proposals put forward by the Administration in this connexion it was not possible to do so, and Mr. Dicken had to confine himself in his statement to indicating that certain proposals had been laid before the Powers, and that, pending their reply, the budget must show an apparent deficit of a million.

6. As regards the other 2 millions, Mr. Dicken explained in his statement that the charges in connexion with the Port Loan were less than had been anticipated, whilst a sum of 400,000 fr. would, for the first time, be forthcoming from the profits made by the Water Company, and 135,000 fr. would be saved on public lighting as a result of the new electric light concession. A charge of 190,000 fr. in connexion with the Water Company would also not reappear in next year's budget.

7. Mr. Dicken next proposes to suppress seventeen posts in the Administration, representing a total saving in a full year of rather over 300,000 fr. This sum will, however, be reduced in 1932 to 215,000 fr. in view of the gratuities which have to be given to employees on dismissal. He also proposes that all automatic increases in salaries shall be suspended during the coming year, and, with certain other economies, he brings up the saving, mainly on personnel, to a total of 600,000 fr.

8. Several alternatives had, he says, been considered for finding the remaining 650,000 fr. The Patente Tax could only be put into force after considerable delay, and it would in any case not bring in much in 1932. The idea had therefore been abandoned for the present, although it was proposed that a scheme should be submitted in due course for the consideration of the Assembly.

(1) Not printed.

9. It had not been considered desirable to increase consumption duties for fear of adding to the difficulties of commerce, particularly in the absence of an inter-zonal agreement for the unification of these duties.

10. What the Administration had decided to do was to submit a proposal for the increase of certain existing registration and stamp duties which would produce an estimated sum of 400,000 fr. a year, whilst a further 100,000 fr. could be provided by an increase in the charges for the immatriculation of property. They would finally propose a new tax of 1 per cent. on all payments made by the Treasury, with the exception of those made to day labourers earning less than 20 fr. a day. This tax, which is estimated to bring in 150,000 fr. a year, will particularly affect the officials of the zone from whose salaries the 1 per cent. will be deducted. In this way he hoped to balance the budget and to enable the zone to face the new year with equanimity.

11. The budget is, I think, not unsatisfactory. It will be seen that Mr. Dicken has made a real effort to reduce expenditure, particularly on personnel, and that he has gone farther than he had hitherto led us to believe would be possible. It is true that he has not seen his way to reducing salaries, but he as well as the administrator and my French colleague have expressed very strongly the view that whilst it might be possible to reduce the salaries of the lower officials without ill effects, any attempt to cut down those of the higher officials of the zone would lead to the resignation of many of those who have been recruited from the French Zone. These, they assert, form the most valuable element in the Administration, and it would be very difficult, if not impossible, to replace them. In view of the fact that so many relatives and friends of the members of the Assembly hold posts in the Administration, it remains to be seen whether the Assembly will accept the reduction of posts, and also whether they will not insist on the reduction of salaries for which there has been a general demand.

12. It is very regrettable to note that no appreciable reduction has been made in the expenditure on the Customs. As you are aware, the Customs budget is prepared in the French Zone without consultation with the Tangier Administration. It has given rise to vigorous protest every year in the Assembly as being out of proportion to the sums collected, and it had been hoped that this year some reduction would have been made, at any rate, in connexion with the cost-of-living bonuses granted to employees. I had begged my French colleague to represent at Rabat the need for such reduction, and it is a great disappointment to see that no steps have been taken in this direction, and it does not speak well for the alleged good intentions of the Protectorate authorities.

13. As Mr. Dicken informed the Assembly, however, the Administration have formulated a protest at Rabat, and it is still possible that some reduction may be conceded. If not it is, of course, open to the Assembly themselves to propose reductions in the vote, when, if they are disputed by the Customs Administration, the matter will be referred to the Committee of Control for arbitration. In the past the Assembly have lacked the courage to press for such reductions, but I trust that with the support which I propose to give to Mr. Dicken and the British delegation, they will show more spirit on this occasion.

14. On the receipts side the balancing of the budget still depends on the benevolence of the French and Spanish Governments, or rather on their recognition of the justice of the claims put forward by the Administration for a reduction of certain statutory charges. It is all very well to budget for a reduction of a million francs in the charges in connexion with the Tangier–Fez Railway, but we have so far only M. Branly's word for it that there is any prospect of the acceptance of the proposal by the two Governments concerned. If, however, this acceptance is forthcoming, not only will there be a saving of a million francs on the ordinary budget, but, as Mr. Dicken pointed out, it will mean that a considerable sum set aside in the past on this account will become available for public works or other purposes. I would point out in this connexion and in connexion with paragraph 5 of your despatch No. 266 of the 26th instant, that not more than some 2 million francs has, in the past, been spent annually on public works out of the reserve fund, and that it would cause a good deal of distress and much discontent if the programme of new works were interrupted and the men employed on them were thrown out of work. The total sum likely to be made available (including the saving on the current year's budget) will amount to some 4 millions, so that even if a couple of millions is spent in this way, another couple

of millions will remain available to cover any probable deficit for 1932 or even 1933.

15. As regards the proposed reduction in the gendarmerie, I am grateful for the authorisation accorded in your despatch above mentioned to agree to the proposal so far as His Majesty's Government in the United Kingdom are concerned. I am not aware that any replies have yet been received to the proposal by my colleagues, and the matter has not again been discussed by the Committee of Control.

16. If the proposal is accepted in such a form as to enable the zone to effect an economy of a million francs, and if the proposal in regard to the Tangier–Fez Railway is also accepted, the budget will be satisfactorily balanced. If both are rejected the zone will be placed in a very difficult position, and it will be necessary to reconsider the situation. If, however, only the gendarmerie proposal is rejected, it may still be possible to balance the budget by means of a reduction in the Customs budget which must, I think, be insisted upon, by some concession from the Spanish Zone in connexion with the *taxe spéciale* and/or the Customs, and possibly some further economies in the Administration for which the British delegation at any rate are prepared to press, whilst if any or all of these sums are not available the zone can still fall back on the sums set aside in connexion with the Tangier–Fez Railway as explained above.

I have, &c.
HUGH GURNEY.

(b) Electric Light Concession.

[**W 7761/24/28**] No. 16.

Mr. Gurney to Mr. A. Henderson.—(*Received July* 2.)

(No. 138.)
Tangier, June 24, 1931.

Sir,

WITH reference to my despatch No. 130 of the 16th June in regard to the question of the electric light concession, I have the honour to report that the necessary communication has at length been addressed by the president of the Committee of Control to the Resident-General of the French Protectorate requesting him to inform the American diplomatic agent at Tangier of the circumstances under which the Committee of Control have decided to ask the Governments which they represent to grant the concession as an exceptional measure without adjudication. I enclose a copy herein.

2. After considerable delay, M. Barjona, the Portuguese consul-general, who is president of the Committee of Control this year, communicated to me a draft which had been prepared by the secretary to the committee. I demurred to its terms, however, and with his concurrence induced our Italian colleague to prepare another draft, after ascertaining that his views on the subject were in agreement with my own. I had, however, some difficulty in persuading him to introduce words expressive of the hope that the United States Government would withdraw their opposition to the concession. This draft was ultimately accepted practically without change by the Committee of Control, although observations were made by some of my colleagues to the effect that the decision of the Committee of Control in the matter ought not to be made dependent on the attitude of the United States Government.

3. As already reported, I had meanwhile informed by colleagues that I should not be able to agree to the concession until this letter reached Mr. Blake. This position was accepted tacitly by them when the question again came up in the Committee of Control to-day. No further effort was made to induce me to depart from it, and we all agreed that we should now do our utmost to hasten a decision in the matter. With this end in view M. de Witasse undertook, at my request, to do all in his power to see that our letter was communicated to Mr. Blake from Rabat with the least possible delay. I have, as a matter of fact, already shown the letter to Mr. Blake, and have ascertained that he is prepared on its receipt to withdraw his opposition to the grant of the concession.

4. I may mention that my Portuguese colleague, who, as stated in my despatch under reference, had received instructions to conform his action to my

own, declined to make any statement to the Committee of Control as to the attitude of his Government in the matter. He was subjected to considerable heckling from my colleagues, but by a masterly display of reticence succeeded in leaving my colleagues in doubt as to his ultimate intentions. I must place on record my appreciation of the support which I have throughout received from M. Barjona and which has greatly contributed to the satisfactory solution of this question which I hope is about to be reached.

5. In accordance with the instructions contained in your telegram No. 10 of the 11th instant, I suggested that as soon as the Committee of Control have agreed to the grant of the concession the Swedish Government should be notified through the Swedish consul of their intention. This suggestion was approved after I had stated that I did not ask that the consent of the Swedish Government should be sought, but merely that they should be informed of our decision. It was pointed out in this connexion that in waiving their right to be represented on the Committee of Control the Swedish Government had tacitly agreed to accept in advance the decisions of that body. It was therefore not necessary to consult them beforehand in such a matter.

6. Meanwhile negotiations are proceeding between the Compañía Rentística and the electric light company with a view to an arrangement. It seems to me that, as there is nothing in the concession to prevent the former company from continuing to supply its own hotels, it can properly only claim compensation for the proportion of its plant rendered superfluous by the fact that under the terms of the concession it will no longer be entitled to supply such third parties as it may, in fact, have hitherto furnished with current. Up to the present the amount thus supplied must be very small, and it would seem that a correspondingly small amount of compensation could legally be required. I fear, however, that the company hope that the new concern will take over the whole of its plant at the price paid for it, and in this they are likely to be disappointed.

I have, &c.
HUGH GURNEY.

Enclosure in No. 16.

President of the Committee of Control to the Resident-General of the French Protectorate.

Tanger, le 22 *juin* 1931.

M. le Résident général,

DANS sa séance du 29 juillet 1930, l'Assemblée législative de Tanger avait passé une loi portant approbation de la concession du monopole de la fourniture de l'électricité à Tanger en faveur d'une société franco-espagnole constituée par la Compañía Eléctrica Hispano-Marroquí et la Société marocaine de Distribution d'Eau, de Gaz et d'Électricité. Cette concession, dont les pourparlers traînaient depuis quatre ans, avait été octroyée avec le système du gré à gré et sans un appel formel à la libre concurrence internationale; pour cette raison le Gouvernement des Etats-Unis d'Amérique, en qualité de signataire de l'Acte d'Algésiras, avait demandé aux Gouvernements représentés dans l'Administration internationale de Tanger que le Comité de Contrôle opposât son veto à ladite concession, puisqu'elle aurait été accordée en contradiction avec le principe de l'égalité économique arrêté par l'Acte d'Algésiras.

La concession en question a été examinée par le Comité de Contrôle avec l'empressement le plus consciencieux et il a dû en effet, à la majorité des voix, constater que la loi passée par cette Assemblée législative n'était pas en complète harmonie avec les traités en vigueur, ce qui aurait pu l'amener à opposer son veto à la loi susdite. Néanmoins, notre comité, se rendant d'autre part compte de la réelle existence de raisons d'équité et d'ordre pratique qui conseillaient d'éviter que la concession dont il s'agit fût déclarée caduque, s'est appliqué à trouver une solution conciliante de cette question, solution qu'après de longues discussions il vient d'adopter.

Le Comité de Contrôle, en effet, après avoir confirmé le principe d'après lequel les concessions à Tanger doivent être accordées suivant le système de l'adjudication et de la libre concurrence internationale, prenant en considération les raisons spéciales en faveur de la présente concession auxquelles il est fait allusion ci-dessus, a déclaré être disposé à demander aux Gouvernements

intéressés dans l'Administration de Tanger de vouloir bien admettre qu'une exception au principe de l'adjudication soit faite pour cette concession, à condition que l'examen du contenu de la concession même la fît apparaître profitable aux intérêts du public et de la Zone de Tanger et conçue de telle sorte que des conditions meilleures n'auraient pu vraisemblablement être obtenues d'un appel à la concurrence internationale.

A cet effet, la concession a été attentivement examinée par le Comité de Contrôle, qui a demandé aux concessionnaires, dans le but susénoncé, tout un ensemble de modifications à apporter au texte de la concession. Les modifications demandées ont été intégralement acceptées par les concessionnaires et votées par l'Assemblée législative.

Dans ces conditions, les membres de notre comité se sont mis d'accord pour demander à leurs Gouvernements l'autorisation de donner leur consentement à l'approbation, à titre exceptionnel, de la concession, tout en confirmant qu'une telle exception ne saurait à aucun titre constituer pour l'avenir un précédent en contradiction avec le principe admis par la majorité du comité, selon lequel les concessions à Tanger ne pourront être effectuées que suivant le système de l'adjudication.

Chargé par mes collègues du Comité de Contrôle, j'ai l'honneur d'avoir recours à votre obligeance habituelle en vous priant de vouloir bien porter ce qui précède à la connaissance du représentant des États-Unis d'Amérique, pour qu'il puisse rendre compte à son Gouvernement de l'équitable ligne de conduite gardée par le Comité de Contrôle dans la solution de cette question et retirer son opposition.

Votre Excellence voudra bien trouver sous ce pli, dans leur texte primitif, la convention et le cahier des charges concernant la concession de l'électricité,(1) ainsi qu'une note portant les modifications que l'Assemblée législative,(1) dans sa séance du 6 mai 1931, a décidé d'apporter aux textes votés le 29 juillet 1930.

Veuillez, &c.
Le Consul général du Portugal,
Président du Comité de Contrôle,
G. BARJONA.

(1) Not printed.

[W 9025/24/28] No. 17.

Acting Consul-General Gardener to Mr. A. Henderson.—(*Received August* 6.)

(No. 179. Confidential.)

Tangier, July 30, 1931.

Sir,

IN confirmation of my telegram of the 27th instant, I have the honour to state that the question of the electric light concession at Tangier has now been satisfactorily settled.

2. As stated in my despatch No. 158 of the 10th instant, the revised communication to the United States diplomatic agent here did not contain a request from the Shereefian Minister for Foreign Affairs to withdraw his opposition to the proposed award of the concession. He accordingly wrote to Rabat, stating that he would be prepared to recommend the withdrawal of the American protest provided he were requested by the Shereefian Minister for Foreign Affairs to do so. I enclose copy of Mr. Blake's letter, which he communicated to me confidentially.

3. Doubtless as the result of representations made by the Embassy in Paris, a letter containing the formal request desired by Mr. Blake was addressed to him by the Rabat authorities on the 24th instant. Copy of this letter, which reached Tangier on the 27th instant, is enclosed herewith.

4. Upon receipt of this letter Mr. Blake at once informed me, and, expressing his pleasure, stated that he would withdraw his protest. He authorised me to announce to the Committee of Control that the request had at last been addressed to him, and in consequence I was able to state that His Majesty's Government were now prepared to agree to the proposed award of the electric light concession, in accordance with the instructions conveyed in your telegram No. 10 of the 11th June. M. Barjona, whose instructions from the Portuguese Government were to conform his attitude to that of the British

representative, similarly gave his approval. I annex copy of my letter to M. Barjona as president of the Committee of Control and copy of his circular to the members.

5. Mr. Blake was particularly pleased that he had been approached in the manner he considered proper. He came to see me personally to express his thanks for the action that had been taken by this consulate, and requested me to convey his appreciation to Mr. Gurney.

6. The news seems to have been received by the French and Spanish representatives with great pleasure, though my French colleague seemed somewhat taken aback when he heard that Rabat had written a third and satisfactory letter to Mr. Blake.

I have, &c.
A. J. GARDENER.

Enclosure 1 in No. 17.

Mr. Blake to M. Saint.

Tangier, July 13, 1931.

Mr. Resident-General,

I HAVE the honour to acknowledge the receipt of your Excellency's notes of the 3rd July, 1931, and of the 8th July, 1931, setting forth the conditions which have led the Tangier Administration to consider, as an exceptional derogation from the principle involved, the expediency of permitting the grant of an electric light and power concession in Tangier, without appeal to international competition or observance of the procedure of public adjudication.

Your Excellency informs me that the Tangier Administration is desirous to have its views and action in the matter brought to my attention, and expresses the hope that, in the special circumstances, the Government of the United States will consent to withdraw the opposition which it had formulated in the premises.

If your Excellency will be good enough to address to me in the customary form, on behalf of the Shereefian Government, a request in the above sense, I shall immediately telegraph the proposal to my Government with my recommendation for favourable action.

Please accept, &c.
MAXWELL BLAKE,
American Diplomatic Agent.

Enclosure 2 in No. 17.

M. Saint to Mr. Blake.

Rabat, le 24 *juillet* 1931.

M. l'Agent diplomatique,

PAR lettre en date du 13 de ce mois, vous avez bien voulu m'exprimer le désir de voir le Gouvernement chérifien vous demander de faire les démarches nécessaires pour que le Gouvernement des États-Unis d'Amérique retire ses objections contre la concession de l'électricité à Tanger à une société franco-espagnole.

J'ai l'honneur de vous accuser réception de cette communication et de vous faire connaître que, me rendant à votre désir, je vous demande de bien vouloir intervenir dans le sens indiqué auprès du Secrétariat d'État à Washington.

Veuillez agréer, &c.
LUCIEN SAINT.

Enclosure 3 in No. 17.

President of the Committee of Control to Members of Committee.

Tanger, le 27 *juillet* 1931.

Messieurs et chers Collègues,

J'AI l'honneur de vous adresser sous ce pli la copie d'une lettre que notre honorable collègue de Grande-Bretagne vient de m'envoyer, faisant part que son Gouvernement, ayant admis l'exception au principe de l'adjudication, a donné son approbation à la loi concernant la concession du monopole de la fourniture de l'électricité à Tanger.

En même temps, j'ai le plaisir de porter à votre connaissance que le Gouvernement portugais m'a autorisé à vous communiquer que, admettant l'exception au principe de l'adjudication, il donne son approbation à la susdite concession, sans que cette exception puisse créer un précédent.

L'unanimité ayant été acquise au sein du Comité de Contrôle, je vous prie de vouloir bien me faire savoir si vous approuvez le projet de lettre ci-joint à adresser à M. l'Administrateur par intérim de la Zone pour l'informer que notre comité adopte la loi portant concession du monopole de la distribution de l'électricité à Tanger.

Veuillez agréer, &c.
G. BARJONA.

Enclosure 4 in No. 17.

Acting Consul-General Gardener to the President of the Committee of Control.

Tanger, le 27 *juillet* 1931.

M. le Président,

LA demande faite par le Comité de Contrôle à M. le représentant des États-Unis au Maroc de retirer son opposition à la concession pour la distribution de l'électricité à Tanger ayant été transmise par le Ministère des Affaires étrangères à Rabat et croyant savoir que l'opposition faite par Mr. Blake sera retirée, j'ai l'honneur de vous annoncer que le Gouvernement de Sa Majesté britannique donne son assentiment par voie d'exception à la loi autorisant la concession d'une distribution d'électricité à Tanger.

Cet assentiment est accordé à condition qu'une telle exception ne saurait, à aucun titre, constituer pour l'avenir un précédent en contradiction avec le principe selon lequel les concessions à Tanger ne pourront être effectuées que suivant le système de l'adjudication.

Veuillez agréer, &c.
A. J. GARDENER,
Gérant du Consulat général de Grande-Bretagne.

Enclosure 5 in No. 17.

President of the Committee of Control to the Administrator of the Tangier Zone.

Tanger, le juillet 1931.

M. l'Administrateur,

A LA date du 29 mai dernier, vous avez bien voulu m'adresser les modifications apportées au cahier des charges et à la convention de la concession de distribution d'électricité à Tanger par l'Assemblée législative du 6 mai 1931.

En réponse, j'ai l'honneur de vous faire connaître que le Comité de Contrôle donne son approbation à la loi portant la concession du monopole de la distribution de l'électricité à Tanger.

Veuillez agréer, &c.
G. BARJONA.

[W 10289/24/28] No. 18.

Acting Consul-General Gardener to the Marquess of Reading.—(*Received September* 10.)

(No. 191.)

Tangier, August 28, 1931.

My Lord,

WITH reference to Mr. Gurney's despatch No. 138 of the 24th June, enclosing copy of a letter from the President of the Committee of Control to the Resident-General of the French Zone regarding the protest formulated by Mr. Blake against the method of award of the electric light concession at Tangier, I have the honour to transmit a copy of the reply of the Resident-General.

2. As no reply had been received from Rabat on the 20th instant, when the Committee of Control met, M. Barjona raised the matter informally with the French acting consul-general, and requested him privately to obtain from Rabat

a reply to the committee's letter of the 22nd June, in order that the records of the committee might be completed.

3. Considerable opposition was shown to this request, doubtless a reflection of the generally accepted idea that it was unnecessary to consult the American Diplomatic Agent on this matter. M. Barjona and I pointed out in the unofficial discussion, that, as the Committee of Control's letter had actually been sent, the Resident-General, in his capacity of Minister for Foreign Affairs, was obliged, in the first place, to take action on the Committee of Control's letter, and, furthermore, he was obliged to communicate to the Committee of Control the result of his action. I added that his failure to inform the Committee of Control of the withdrawal of the protest formulated by the United States of America might be interpreted as discourtesy towards the Committee of Control. Finally, M. Pinoteau agreed to write to the Resident-General privately, asking him to send a reply to the Committee of Control's letter.

I have, &c.
A. J. GARDENER.

Enclosure in No. 18.

Resident-General of the French Zone to President of the Committee of Control.

Rabat, le 22 août 1931.

M. le Président,

PAR lettre du 22 juin dernier, vous avez bien voulu m'exprimer le désir de voir porter à la connaissance de M. l'Agent diplomatique des États-Unis à Tanger, pour qu'il puisse en rendre compte à son Gouvernement, l'équitable ligne de conduite gardée par le Comité de Contrôle dans la solution de la concession de l'électricité à Tanger et retirer son opposition.

J'ai l'honneur de vous faire connaître que j'ai fait la communication désirée à Mr. Blake et que j'ai été avisé par le représentant des États-Unis d'Amérique à Tanger que le Département d'État avait consenti à retirer son opposition, à titre exceptionnel et sans que cette mesure puisse jamais constituer un précédent.

Veuillez, &c.
URBAIN BLANC.

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